



November 21, 2005

**VIA OVERNIGHT DELIVERY**

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy  
One South Station, 2<sup>nd</sup> Floor  
Boston, MA 02110

Re: Extension of Shut-Off Protection Period from March 15,  
2006 to May 1, 2006

Dear Secretary Cottrell:

In D.T.E. 05-GAF-P4, issued on November 1, 2005, and its subsequent letter of November 15, 2005, the Department of Telecommunications and Energy ("Department") has requested that Fitchburg Gas and Electric Light Company d/b/a Unitil ("Unitil") voluntarily extend for both its gas and electric customers the shut-off protection period required pursuant to G.L. c. 164 § 124F and 220 C.M.R. §25.03(1) from March 15, 2006 to May 1, 2006.

At this time, it is Unitil's intention to comply with the Department's request for both its gas division and electric division residential customers, according to the applicable termination procedures set forth in 220 CMR 25.00.

Unitil's ability to engage in the voluntary extension of the protection period, however, will be significantly affected by the expected continued growth in its uncollectible accounts which have increased significantly, primarily due to large increases in commodity costs for both gas and electric supplies, and the resulting increase in both the number of customers who qualify for protected status, and higher outstanding delinquent balance for each customer upon the conclusion of the extended moratorium period.

As the Department is aware, D.T.E. 02-24/25 established a fixed level of bad debt recovery for Unitil's gas and electric divisions based upon an annualization of the write-offs booked in January through November of the test year. This calculation eliminated the higher level

Gary Epler  
Senior Counsel  
6 Liberty Lane West  
Hampton, NH 03842-1720  
Phone: 603-773-6440  
Fax: 603-773-6640  
Email: epler@unitil.com

of write-offs booked in December of the test year, which the Department acknowledged were due to higher commodity costs and a moratorium on winter shut-offs. The Department determined that the moratorium was an extraordinary event "not likely [to] occur in future years." D.T.E. 02-24/25, *Slip Op.* at 169. Since that time, however, the Department's request for voluntary extension of the shut-off period has occurred with some regularity, and Unitil has incurred significant bad debt write offs in 2004 and 2005 compared to previous years. As commodity costs for both electric and gas supplies have now reached levels which were clearly unanticipated in that earlier docket, the current level of fixed recovery for bad debt creates a circumstance of significant revenue erosion and pressure on earnings for the company.

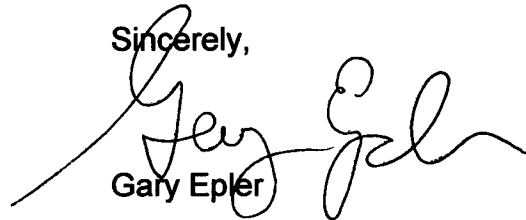
In its recent order in D.T.E. 05-66, the Department recognized that when a gas utility buys gas supply today at wholesale, it has no effective control over the prevailing conditions or prices in the wholesale market, and provided that it purchases supply for its customers efficiently, it should be able to recover its costs, including those incurred in serving nonperforming accounts. Further, the Department stated that the current, historically extreme wholesale gas prices and the unforeseen and unintended effects of limiting gas-related bad debt expense recovery, taken in combination, may effectively deny a company its constitutionally protected opportunity to earn a reasonable return. Unitil submits that the same conditions noted for gas utilities are occurring for electric utilities. Thus, the direction of the Department's action on this issue in D.T.E. 05-27, where Bay State Gas Company has requested treatment of bad debt as a CGAC item, and consideration of this issue as it applies to electric distribution companies, will impact both Unitil's ongoing ability to extend the shut-off period and its ability to continue operating within its current rate order.

Unitil is also concerned that one of the results of the shut-off protection period is that it effectively postpones the initiation of the service termination process until the middle of June, a time when little or no funding is available to customers from either government or private payment assistance programs. It is Unitil's experience that a termination notice is very often the most effective means of communication with customers who are facing difficulties paying their bills. Since a termination notice has a very high response rate, it creates an opportunity for the company to direct such a customer to fuel

assistance funds, energy conservation programs and budget billing opportunities. While the Department's actions in D.T.E. 01-106, as well as Unifil's ongoing efforts to reach out to its customers with information on federal fuel assistance funds and energy conservation programs may help alleviate this concern, it is important to consider whether the extension of the shut-off protection period is working as it is intended to.

Please do not hesitate to contact me directly if you have any questions or concerns regarding this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Epler", with a long horizontal flourish extending to the left.

Gary Epler

cc: John Cope-Flannigan, Hearing Officer  
Karen Robinson, Director, Consumer Division  
Kevin Brannelly, Director, Rates and Revenue Requirements  
George Yiankos, Director, Gas Division  
Joseph Rogers, Assistant Attorney General